

Testimony of Dr. Thomas Caldwell on the Impact of Prevailing Wage on the Cost of School Construction Projects

Testimony before the House Employment Relations, Training and Safety Committee
October 16, 2001

Thomas P. Caldwell, Ph.D, Superintendent
Iosco Regional Educational Service Agency
5800 Skeel Avenue
Oscoda, MI 48750
(517) 739-0300

My name is Dr. Thomas Caldwell and I am the Superintendent of the Iosco Regional Educational Service Agency. Our district is made up of a student population that is experiencing a 63% participation rate in the free and reduced lunch program. We have lost over 57% of our manufacturing base and the jobs related to this industry in the past nine years. Iosco County has experienced the highest unemployment rate of Michigan's eight three counties during the past twelve months. Iosco County is also ranked fifth of all counties nationally in out migration since 1993. As you can see we are an economically depressed area and every education dollar counts.

The Iosco RESA is in the process of building a new Administrative, Career and Technical Education Center. The center will provide for administrative support services in special education, general education and teaching facilities for career and technical education programs. Programs are geared to training youngster for the jobs of today and tomorrow. Training includes public safety (police, fire, EMT), Manufacturing, including high skilled areas such as CAD, welding, robotics; Power mechanics ranging from small engine to jet aircraft engine repair, Computer tech, Full range of medical technology and Early childhood education. The cost of the project is approximately 2.75 million dollars.

Our board considered three options to fund the project: resolution bonds, non-resolution bonds and installment purchase under Act 99. As we pondered over our options we learned that the prevailing wage law would impose an additional 10% or \$270,000 by using bonds. For a variety of economic and political reasons, we opted to finance the project using installment purchase under Act 99. This allowed us to avoid prevailing wage; however, our board and I were deeply concerned by the huge waste of local taxpayers' dollars, had prevailing wage been imposed.

While considering utilizing bonding, and the 10% prevailing wage premium that comes with it, we worked with our architect and general contractor to determine where we could cut \$270,000. Our choices were adverse to our educational goals. Our technology budget for the center would have been cut and this was not acceptable. In a rural area where technology is playing an ever larger role in providing equal educational opportunity. We were faced with reducing the scope of the project or cutting our needed technology.

Basic Point: Due to our experience with dealing with the issue of Michigan's Prevailing Wage Law, I want to alert you as public policy makers of the undue and unfair imposition that Michigan's Prevailing Wage Act is imposing on local and intermediate school districts. The issue of prevailing wage was felt most dramatically for the Iosco RESA when we ran the numbers and discovered the added cost for our construction project. Our district has a low assessed valuation and it is wrong to burden taxpayers and short change our youngsters to satisfy a special interest. It's time to repeal Michigan's prevailing wage law because it imposes additional construction cost to schools causing an unfair and unwarranted financial burden.